



MOTION PICTURE ASSOCIATION OF AMERICA, INC.

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TESTIMONY OF

VANS STEVENSON

SENIOR VICE PRESIDENT, STATE GOVERNMENT AFFAIRS

IN SUPPORT OF MICHIGAN SENATE BILL 569

BEFORE THE

HOUSE COMMERCE COMMITTEE

DECEMBER 1, 2011

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MPAA REPRESENTS THE LEADING PRODUCERS AND DISTRIBUTORS OF MOTION PICTURES AND TV PROGRAMS, INCLUDING CBS (AN AFFILIATE MEMBER), DISNEY, FOX, SONY, PARAMOUNT, UNIVERSAL AND WARNER BROS.

MPAA URGES THE ADOPTION OF SB 569 (WITH AMENDMENTS), WHICH WOULD FURTHER ADVANCE THE POTENTIAL ECONOMIC DEVELOPMENT AND JOB CREATION POTENTIAL OF MICHIGAN'S PRODUCTION INDUSTRY, STILL IN ITS EARLY DEVELOPMENT STAGES BUT POISED FOR GROWTH AND SUCCESS.

SB 569 WOULD EXTEND THE STATE'S FILM PRODUCTION TAX CREDIT PROGRAM, WHILE ESTABLISHING THE NECESSARY CRITERIA FOR THE STATE TO BE GOOD AND PROPER STEWARDS OF THE INVESTMENT MICHIGAN TAXPAYERS ARE MAKING TO HELP GROW THE INDUSTRY AND THE OPPORTUNITIES IT CAN PROVIDE FOR JOB CREATION.

SB 569 ESTABLISHES THE FOLLOWING KEY CRITERIA:

- THE NEW PROGRAM STRUCTURE PROVIDES THE MOST BENEFIT FOR HIRING LOCAL MICHIGAN TALENT
- IT ENSURES THE CREDIT WILL INURE FOR IN-STATE EXPENDITURES
- THE CAPS ON TALENT AND TOTAL ELIGIBLE COMPENSATION ENSURE THE STATE'S INCREASED RETURN ON INVESTMENT

THIS IS ABOUT INVESTING IN ECONOMIC DEVELOPMENT IN MICHIGAN, AND JOB CREATION FOR MICHIGANDERS. THIS ALSO IS ABOUT A PARTNERSHIP BETWEEN THE STATE AND INDUSTRY WHERE BOTH BENEFIT.

OUR PRODUCTION COMPANIES ARE PLEASED TO SEE SB 569 CONTINUE TO POSITION MICHIGAN TO COMPETE FOR THE INDUSTRY'S INVESTMENT AND JOB CREATION IN MICHIGAN.

THE PRODUCTION OF MOVIES AND TV PROGRAMS PROVIDED A MUCH NEEDED IMMEDIATE ECONOMIC STIMULUS BY CREATING PRODUCTION JOBS FOR MICHIGAN CITIZENS AND RELATED INFRASTRUCTURE DEVELOPMENT IN MICHIGAN COMMUNITIES.

MAJOR MOTION PICTURE AND TELEVISION PRODUCTION CONTRIBUTE EVERY DAY TO THE LOCAL ECONOMY — PAYING WAGES TO MICHIGAN RESIDENTS, FOOD AND CATERING PURCHASES, LODGING, TRANSPORTATION, ETC. PROVIDED BY SOUTHEAST MICHIGAN BUSINESSES AND ENTREPRENEURS.

IN ALL, MOTION PICTURE AND TELEVISION PRODUCTION CREATED 32,367 MICHIGAN JOBS, AND \$1.4 BILLION IN TOTAL WAGES PAID TO MICHIGAN WORKERS.

PRODUCTION COMPANIES ARE EXPECTED TO SPEND \$922 MILLION IN THE STATE FROM 2008 THROUGH 2011.

MICHIGAN'S TAXPAYERS HAVE INVESTED IN BUILDING THE INFRASTRUCTURE HERE NECESSARY TO SUPPORT A VIBRANT FILM PRODUCTION INDUSTRY TO LAST WELL INTO THE FUTURE.

LIKE OTHER INFRASTRUCTURE INVESTMENTS, MICHIGAN'S INVESTMENT IN ITS PRODUCTION INDUSTRY INFRASTRUCTURE HAS BEEN MADE WITH THE GOAL OF IT SUPPORTING THE ONGOING ECONOMIC IMPACT AND JOB CREATION POTENTIAL OF THE INDUSTRY.

WITH SB 569, MICHIGAN HAS THE OPPORTUNITY TO REALIGN ITS PRODUCTION INCENTIVE PROGRAM TO ENSURE THE STATE REMAINS POSITIONED TO CAPITALIZE ON ITS NOW-SOLID REPUTATION AND THE INFRASTRUCTURE INVESTMENT ALREADY MADE BY THE STATE, LOCAL ENTREPRENEURS, AND THE INDUSTRY.

THE INCENTIVE PROGRAM HAS PROVIDED AN UNPRECEDENTED OPPORTUNITY TO EXPAND LOCAL EMPLOYMENT AND HAS ENCOURAGED PERMANENT INFRASTRUCTURE AND ATTRACTED CAPITAL INVESTMENT. MANY OF THE VENDORS AND OTHER COMPANIES THAT WERE STRUGGLING THROUGH RECENT ECONOMIC CHALLENGES ARE IN BUSINESS TODAY BECAUSE OF THE OPPORTUNITIES THE FILM AND TELEVISION PRODUCTION INDUSTRY CREATED MANY STATES THAT REVIEWED THEIR PRODUCTION TAX INCENTIVE PROGRAMS THIS YEAR MAINTAINED OR INCREASED THEIR PROGRAMS.

WHEN THE FILM CREDIT IS COUPLED WITH MICHIGAN'S VIBRANT NATURAL RESOURCES AND QUALIFIED WORKFORCE, IT WILL CONTINUE AS AN IMPORTANT CATALYST FOR ECONOMIC GROWTH WELL INTO MICHIGAN'S FUTURE.

I ENCOURAGE YOU TO VIEW MICHIGAN'S APPROACH TO DEVELOPING ITS FILM PRODUCTION INDUSTRY AS AN INVESTMENT STRATEGY THAT IS, AND WILL CONTINUE TO RETURN POSITIVE DIVIDENDS.

I AM SUBMITTING THE MPAA'S SUGGESTED AMENDMENT FOR YOUR CONSIDERATION.

THE CHANGE INCLUDES: BEGINNING ON PAGE 18 - DISTRIBUTION COSTS ARE INCLUDED IN THE CREDIT CALCULATION – WE THINK THE STATE MAY WISH TO CONSIDER ELIMINATING THIS AUTHORIZATION TO SUBSIDIZE DISTRIBUTION COSTS. CHANGING THIS ELIGIBILITY WILL ALLOW ADDITIONAL FUNDS TO BE USED FOR PRE-THROUGH POST PRODUCTION.

THANK YOU FOR YOUR CONSIDERATION.



Dear Committee Member,

As you consider SB 569 (film incentive oversight bill). Please find the attached overview document that highlights key provisions of SB 569.

Key points of SB 569 worth emphasizing:

- Provides necessary provisions to ensure state dollars distributed for the Film Incentive Program meet proper standards that are currently not in place.
- Appropriately provides incentives for film and television producers that utilize Michigan companies and workers.
- Does not appropriate any funding (\$25 million has already been appropriated in the state budget).
- Specifically designed for Film Incentive Program standards.
- Passed in the Senate on November 3, 2011.

On behalf of the many Michigan companies and workers in the growing film industry, we encourage your support of this important legislation.

If you have any questions, please contact the lobbying team at Public Affairs Associates at 517-371-3800 for more information.

Two thumbs up. Senate Bill 569.

Jobs for Michiganders. Safeguards for Michigan taxpayers. Clear rules for filmmakers.

Overview

Since 2008, Michigan's film production incentive program has jump-started the film industry's investment here — creating more than 14,000 new jobs for Michigan workers³, and opportunities for entrepreneurs. Today, more than 2,800 film, television and video game related businesses are active in Michigan.

Senate Bill 569 (Sen. Randy Richardville) establishes procedures production companies must follow to receive funding incentives from the Michigan Film Office. It rewards companies for hiring Michigan workers and companies, and sets important safeguards for protecting Michigan taxpayer dollars invested in the industry.

ECONOMIC IMPACT IN MICHIGAN	
Motion Picture and Television Industry Employment ¹	
Production Related Jobs	3,567
Consumer Distribution Related Jobs	10,432
TOTAL JOBS (including indirect)	32,367
Production Related Wages (in millions)	\$175.5
Consumer Distribution Related Wages (in millions)	\$295.1
TOTAL WAGES (including indirect) (in millions)	\$1,388.5
Local Vendors ²	
Vendor Payments by MPAA Companies (in millions)	\$59.9
Vendors Paid by MPAA Members	971

Moving forward

Earlier this year the Legislature approved a film production incentive of \$25 million for the fiscal year October 1, 2011–September 30, 2012. **SB 569 provides criteria necessary to grant incentive funding to qualified applicants.** SB 569 encourages investment in Michigan, while protecting the investment Michigan taxpayers are making in the incentive program.

SB 569 will:

- ★ Incentivize the use of Michigan workers, companies
 - Provide 32 percent credit for Michigan hires, phasing down to 27 percent by 2015
 - Provide 27 percent credit for out of state hires, phasing down to 12 percent by 2015
 - Add a 3 percent credit to any project using a Michigan studio or post-production facility
- ★ Appropriately reduce incentives granted for out of Michigan expenditures
 - Limit to 25 percent credit out of state below the line costs (those involved in the physical production of a given film, the post-production work and all of the related expenditures, such as camera operators, grips, hair and make up staffs, graphic artists, etc.), decreasing to 10 percent by 2015
- ★ Establish criteria the Michigan Film Office will use to review funding requests
- ★ Establish application requirements, including an application fee and assistance agreements
- ★ Direct the Michigan Film Office to operate the Film and Digital Media Production Assistance Program through September 30, 2017

SB 569 does not:

Preclude the opportunity for lawmakers to alter, expand or reduce the approved appropriation of funds for the film incentive program in this or future fiscal years, but is not the legislative vehicle to adjust appropriations for the film incentive program. SB 569 is strictly focused on establishing the rules and requirements for granting approved funding as Michigan develops a growing film production sector.

¹ U.S. Bureau of Economic Analysis (BEA), Bureau of Labor Statistics (BLS)

² Analysis of studio submissions received

³ Analysis of Dun & Bradstreet industry reports